USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Template Version 2.07

Required Report - public distribution

Date: 11/21/2003

GAIN Report Number: CA3077

Canada

Agricultural Situation

This Week in Canadian Agriculture, Issue 42

2003

Approved by:
Hugh Maginnis
U.S. Embassy

Prepared by:
George Myles, Matthew Cahoon

Report Highlights:
C$200 Million Cull Program For Cattle * Rule Change On Year-Round Cattle Imports Expected Soon * Canadian Pork Council President Labels 2003 *Annus Horribilis* * Ag Think Tank Offers Reasons For Increase In Live Hog Exports * CWB Says Alberta Survey Flawed * Concern Rises Over Possible Deficit In CWB Wheat Pool * Canadian Grain Commission Stresses Industry Approach To Handling Of Alsen Wheat * Canadian Grain Commission Launches Temporary Alsen Wheat Program * Ottawa Makes Latest Move In Lumber Dispute

---

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Ottawa [CA1]
[CA]

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives.

Disclaimer: Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

C$200 MILLION CULL PROGRAM FOR CATTLE: The federal government is committing C$120 million and the provinces will contribute C$80 million toward a BSE assistance program targeting cull animals. The Cull Animal Program is designed to assist the industry in adjusting to the market disruption for cull animals following the discovery of a single case of BSE in May, 2003. If provinces fully partake**,** the program for cattle would offer: a payment of C$159 per animal slaughtered between September 1, 2003, and December 31, 2004; and, in addition to the C$159, one dollar per day per animal from December 16, 2003, up to the date of sale for slaughter or May 24, 2004, whichever is earlier, to help offset higher winter feed costs. (Comment: the latter component was reportedly included to allay the fears of cattle groups who are fearful that the slaughter-only stipulation would force producers to rush the animals to market, causing further market problems.) The amounts are in addition to the regular prices paid to producers in the marketplace. Eligible animals are those owned by a producer on September 1, 2003, up to a cull rate of 8% for beef cows and 16% for dairy cows. Cattle will have to be slaughtered by December 31, 2004, to qualify. Producers of other ruminants affected by border closures will be offered a comparable program. Prior BSE financial compensation to producers included federal/provincial cost-shared funding of (up to) C$400 million. The federal government added an additional C$36 million to the program in August 2003 (see CA3055).

RULE CHANGE ON YEAR-ROUND CATTLE IMPORTS EXPECTED SOON: According to press reports, Canada is likely to allow year-round imports of U.S. feeder cattle by the end of 2003. Imports are now restricted to the period between October and March when the vectors to spread disease are absent. "In the very near future we will be publishing regulations for public comment," said Agriculture Minister Lyle Vanclief. "Hopefully later this year, we will be able to open up the Canadian (border) for U.S. stocker calves to come into our feedlots 12 months of the year," Vanclief said. FAS/Ottawa has been working arm-in-arm with the Canadian Cattlemen's Association and the U.S. cattle industry to open up the Canadian market to allow year-round access for U.S. feeder cattle. The organization believes that the failure to do so would endanger U.S. cattle industry support of the proposed U.S regulation to establish Minimum Risk Regions for BSE enabling the resumption of live cattle exports from Canada.

CANADIAN PORK COUNCIL PRESIDENT LABELS 2003 *ANNUS HORRIBILIS:* "The year 2003 has turned out to be *annus horribilis* for Canadian hog farmers", said Edouard Asnong, President of the Canadian Pork Council in a press release. "Factors such as the large, and rapid, appreciation of the Canadian dollar, and the single incident of BSE in Canada, have combined with ample worldwide supply and higher feed costs to cause major losses at both the (Canadian hog) producer and (Canadian pork) processor levels." Mr. Asnong's remarks coincide with the release by the George Morris Centre, a private Canadian economic research institution, of a report entitled *Commentary on Exchange Rate Impacts on Hog/Pork Competitiveness*, which offers a comprehensive look at the year's experience for hog and pork producers and shows that the rapid appreciation of the Canadian dollar cost the Canadian industry over C$20 per head in revenue this summer compared with early in 2003.

AG THINK TANK OFFERS REASONS FOR INCREASE IN LIVE HOG EXPORTS: In a paper prepared for the Canadian Pork Council to explain the economic reasons behind the large increase in hog and pork exports from Canada to the United States during the third quarter of 2003, the George Morris Centre offers long and short term conclusions. The conclusion reached regarding long-term issues is that comparative advantage in weaner production in Canada and finishing in the US, coupled with exchange rate factors can explain a the recent growth in the Canadian herd. Those factors can also be held to explain the growth in weaner/feeder exports. The slaughter hog or finishing hog sector has not seen the same growth and is more in balance with slaughtering capacities in Canada. With regard to the short term, the *Centre* believes that the appreciation of the Canadian dollar in combination with the impact of the BSE crisis has had a negative impact on the Canadian hog production and packing sectors. These unusual circumstances have resulted in weaker returns for both packers and producers. This in turn has resulted in increased market hog exports as a result of reduced Canadian packer buying power and plant closures. For more information go to www.georgemorris.org

CWB SAYS ALBERTA SURVEY FLAWED: The Canadian Wheat Board (CWB), on November 12, refuted the conclusions reached by the Alberta Government on results of a survey done earlier this fall. The survey was intended to gauge farmers' views on marketing wheat and barley, asking farmers to choose between the current single-desk system and, in the opinion of the CWB, an "unworkable mix" of open market and single-desk selling. "The conclusions drawn from the survey conducted for the Government of Alberta are flawed and lead farmers down the garden path to an outcome that is not feasible or realistic," said Ken Ritter, chair of the farmer-controlled board of directors. "The real option for farmers is to market their wheat and barley through the single desk or through a completely open market. You can't have both at the same time." Ritter also noted that efforts should be directed towards other key efforts. "The CWB and governments should be focusing on issues that can improve farmers' returns. There are a number of large issues on which the CWB and governments can work together," Ritter said. Working to reduce ongoing subsidies by the United States and European Union, increasing competition between railways for moving farmers' grain and establishing a framework for the possible introduction of genetically-modified grain are key to the future success of Canadian agriculture in a competitive world market. He also welcomed the fact that the Governments of Canada, Alberta and Saskatchewan have joined the CWB in an attempt to reverse part of the ruling that has closed the U.S. border to Canadian exports of hard red spring wheat.

CONCERN RISES OVER POSSIBLE DEFICIT IN CWB WHEAT POOL: According to a November 18 article from FarmAssist, concern among producers in Western Canada and industry participants has started to grow over a possible deficit situation in the Canadian Wheat Board's (CWB) Hard Red wheat pool account. Any deficit, which rumors in the trade say could be running in the C$30-100 million range, will need to be picked up by the Canadian federal government, industry sources say. Rheal Cenerini, media relations officer for the CWB, declined comment. "We have had questions over the past several months in regards to the deficit, and our answer has always been the same ... the CWB will wait until the final tallying of the 2002/03 financial results before making any comments." Mike Jubinville, an analyst with the farmer advisory service ProFarmer Canada, said the evidence appears to point to some sort of deficit. "I'm convinced the CWB is in a deficit position with some of its accounts, especially after its final PRO (Pool Return Outlook) issued in September for the 2002/03 season." Jubinville said it was unusual the PRO for 2002/03 was exact to the penny of what initial payments are currently. "That in itself is an absolute signal to me that they are running deficits in select wheat pools." He said the CWB knew in September what price it had made sales of wheat at, and while the value might have been lower, it cannot reduce it below the initial payment. "When the CWB announces its initial payment, that is the minimal amount the producer will receive for the wheat," Jubinville said. "When sales are made at higher prices, an interim adjustment upward is sometimes made. That was the case this year. However, it looks like the CWB was a bit too optimistic on its expected returns.” The last year the CWB Pool ran a deficit was 1990-91, when the Board was $673 million in the red. “It would indeed appear that from all indications that there is a deficit,” added Charlie Pearson, a market analyst with Alberta Agriculture and Food. “However, as for how much, that is anyone’s guess.”

CANADIAN GRAIN COMMISSION STRESSES INDUSTRY APPROACH TO HANDLING OF ALSEN WHEAT: In a news release dated November 7, the Canadian Grain Commission (CGC) announced it is working with the Canadian Wheat Board (CWB) and elevator companies to ensure that Alsen wheat does not become mixed in shipments of Canada Western Red Spring wheat (CWRS). CWRS is Canada's premium bread wheat. Excessive levels of Alsen would harm CWRS milling and baking quality. According to the CGC, Alsen is a non-registered wheat variety, eligible only for a grade of CW Feed. Significant amounts were planted in western Canada earlier in 2003. Due to the fact that Alsen wheat looks like other CWRS varieties, special efforts are being made to keep it from being mixed with CWRS shipments. These include monitoring by the CGC, segregation by grain elevator companies, and a CWB delivery contract program designed to encourage producers to accurately represent their wheat deliveries. Under a program recently developed by the CWB and elevator companies, Alsen wheat delivered in the current crop year to western primary elevators or by a producer car direct to terminal will be eligible for an initial payment that is slightly less than the initial payment for No. 2 CWRS wheat. To receive this payment, producers must complete a delivery contract indicating they are delivering Alsen wheat. It will be graded "Wheat Canada Western Feed (Alsen)" and kept separate from other classes of wheat.

Alsen wheat delivered as CWRS wheat to primary elevators or shipped via producer car will be downgraded to CW Feed, which commands a lower price. The CGC is testing elevator, producer car, and vessel shipments for Alsen wheat and other non-registered varieties.
"I am pleased that the industry has taken a joint approach. I'm confident producers will help maintain Canada's reputation for grain quality by representing their deliveries accurately," CGC Assistant Chief Commissioner Terry Harasym said. "We adopted this policy to help the Canadian Wheat Board and its agents manage stocks of Alsen wheat acquired in the previous crop year that had been purchased as milling wheat," said Harasym. To view the full CGC news release and backgrounder, visit:
http://grainscanada.gc.ca/newsroom/news_releases/2003/2003-11-07-e.htm

CANADIAN GRAIN COMMISSION LAUNCHES TEMPORARY ALSEN WHEAT PROGRAM: According to a November 12 memo to the Canadian grain industry from the Canadian Grain Commission (CGC), in order to facilitate the handling of Alsen wheat in the Canadian system, numerous extensions have been given allowing Alsen to be graded as milling wheat when shipped from primaries to terminal and transfer elevators, eastern mills, the U.S. and also shipments from terminal and transfer elevators. Effective immediately, the Alsen Wheat program is a joint development by the Canadian Wheat Board (CWB), grain companies and the CGC to address deliveries of Alsen wheat. In order to facilitate this program, a further extension for Alsen Wheat has been established. Alsen in deliveries of Canada Western Red Spring wheat (CWRS) from primaries into terminal elevators, transfer elevators, eastern mills and shipments to the United States continue to be eligible for the top grades of CWRS until January 15, 2004. After that time, such movements will be downgraded in accordance with the CGC’s “Wheats of Other Classes” (WOOC) specifications. Alsen in shipments of CWRS from terminal and transfer elevators will be eligible for top grades of CWRS until January 15, 2004, after which they will be downgraded in accordance with the Wheats of Other Classes (WOOC) specifications. A new grade of Wheat Canada Western Feed (CFW) (Alsen) has been established by Order of the Commission 2003-182. In this program, Alsen delivered and declared as Alsen wheat meeting the criteria for the grade will be assigned the appropriate product code. This program will provide farmers with returns for their Alsen that are at a significant premium to the feed market which is the only market available to unregistered varieties of wheat. The following criteria must be met to assign the CWF (Alsen) grades: (1) Must be Alsen variety; (2) Must be declared and delivered; (3) Must meet the quality specifications of 2 CWRS or higher.

OTTAWA MAKES LATEST MOVE IN LUMBER DISPUTE: Ottawa has sent Washington a counter-proposal aimed at settling the long-running dispute over softwood lumber exports to the U.S., according to CBC’s coverage of an article from the November 15 *Globe and Mail*. The offer calls for Canadian softwood to enter the United States duty-free until it has a 32% share of the American lumber market, reported the Globe and Mail. Above that share, Canadian softwood lumber producers would pay a levy of $200 US per 1,000 board feet. The Globe quoted chief Canadian negotiator Douglas Waddell as describing the proposal as "a square deal for both sides." The trade battle has raged for more than two and a half years and has seen Canadian softwood producers pay billions of dollars in fines. Canadian Trade Minister Pierre Pettigrew wouldn't divulge details of a proposal sent by the U.S. industry on October 29, but said it "needed to be improved." The Montreal-based Free Trade Lumber Council denounced the proposal, saying it would cap Canada's lumber market share in the United States below current levels.

Find FAS on the World Wide Web:

Visit our headquarters’ home page at http://www.fas.usda.gov for a complete listing of FAS’ worldwide agricultural reporting.

Recent Reports from FAS/Ottawa:

Report Number	Title of Report	Date
CA3076	This Week in Canadian Agriculture, Issue 41	10/31/2003
CA3073	This Week in Canadian Agriculture, Issue 40	10/31/2003
CA3071	Dairy Annual	10/22/2003
CA3067	Frozen French Fry Annual	10/24/2003
CA3066	Fishery Products Annual	10/10/2003
CA3061	Deciduous Fruit Annual	9/24/2003

VISIT OUR WEBSITE: The FAS/Ottawa website is now accessible through the U.S. Embassy homepage. To view the website, log onto http://www.usembassycanada.gov; click on Embassy Ottawa offices, then Foreign Agricultural Service. The FAS/Ottawa office can be reached via e-mail at: agottawa@usda.gov